

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

ROCKWOOD HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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***John C. DiPiero, P.C.***

Certified Public Accountant

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Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Rockwood Housing Commission  
32409 Fort Street  
Rockwood, Michigan 48173

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Rockwood Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockwood Housing Commission as of March 31, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2005 on my consideration of the Rockwood Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

November 3, 2005

The purpose of this MD & A is to serve as a basic tool for reading and understanding the financial statements of the Housing Commission. The information presented here should be viewed in conjunction with the Commission's financial statements. The Housing Commission's books are reported using the full accrual method, which means that all revenues and expenses are taken into account regardless of when cash is received and/or paid out. The programs are funded directly by the United States Department of Housing and Urban Development.

The following summarizes the two programs that the Rockwood Housing Commission operates on a daily basis.

#### **Low Rent Public Housing**

The Housing Commission completed its development in 1970 and currently owns 51 units that are provided to elderly/disabled and low-income individuals. The Commission is responsible for management, maintenance, utilities and various other tasks associated with operating the project. Each year, the Housing Commission applies for Operating Subsidy, which is funded at a level determined by HUD. In addition to tenant revenue, interest income and other miscellaneous income, the subsidy is used to provide safe and affordable housing to residents.

#### **Capital Fund**

The Housing Commission is awarded this grant each year, based on HUD's available funding. It is used to for physical improvement of the property and surrounding landscape. It may also be used for equipment such as dwelling equipment, office, maintenance and community room equipment. PHA's also have the option of drawing down funds in a line item called Operations.

The financial statements included in this report are those of a non-profit enterprise fund engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports on the Commission's current financial resources with capital and other assets and long-term debt obligations and other liabilities.
- Statement of Revenues, Expenses and Changes in Fund Net Assets-reports the Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Capital Assets

### Statement of Net Assets

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
Cash/Investments	183,653	207,049	-23,396
Other Current Assets	7,443	5,478	1,965
Capital Assets, Net	633,705	626,444	7,261
<b>Total Assets</b>	<b>824,801</b>	<b>838,971</b>	<b>-14,170</b>
<b>Liabilities</b>			
Accounts Payable	11,228	8,820	2,408
A/P-Other Gov't	9,693	10,004	-311
Other Current Liabilities	15,161	15,851	-690
NonCurrent Liab.	864	678	186
<b>Total Liabilities</b>	<b>36,946</b>	<b>35,353</b>	<b>1,593</b>
<b>Net Assets</b>			
Invested in Capital Assets	633,705	626,444	7,261
Unrestricted Net Assets	154,150	177,174	-23,024
<b>Total Net Assets</b>	<b>824,801</b>	<b>838,971</b>	<b>-14,170</b>

Total Assets for FYE 2005 total \$824,801, which is \$14,170 less than FYE 2004. Total Liabilities for FYE 2005 total \$36,946, which is \$1,593 more than FYE 2004.

Net Assets decreased \$14,170 from 2004 to 2005 due mainly to the reduction in cash and investments.

The decrease in Unrestricted Net Assets is mainly due to a decrease in total revenue and a substantial increase in maintenance expenses. In general, the Unrestricted Net Assets are used to fund operations of the Housing Commission.

## Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Opr Revenues</u>	<b>2005</b>	<b>2004</b>	<b>Change</b>
Tenant Revenue	154,824	157,219	-2,395
Opr Grants/Subsidy	49,074	40,110	8,964
Misc Revenue	1,302	1,311	-9
<b>Total Operating Revenues</b>	<b>205,200</b>	<b>198,640</b>	<b>6,560</b>
<b>Opr Expenses</b>			
Administration	63,308	60,822	2,486
Tenant Services	741	1,361	-620
Utilities	46,373	42,582	-3791
Maintenance	72,495	58,112	14,383
General	22,002	22,734	-732
Depreciation	72,033	66,689	-5,344
Extraordinary Maint.	3,883	0	3,883
<b>Total Expenses</b>	<b>280,835</b>	<b>252,300</b>	<b>28,535</b>
<b>Opr Income/(Loss)</b>	<b>-75,635</b>	<b>-53,660</b>	<b>-21,975</b>
<b>Nonoperating Revenues</b>			
Interest Income	3,448	2,389	1,059
<b>Income (Loss) before contributions/transfers</b>	<b>-72,187</b>	<b>-51,271</b>	<b>-20,916</b>
<b>Capital Grants</b>	<b>56,424</b>	<b>93,757</b>	<b>-37,333</b>
<b>Change in Net Assets</b>	<b>-15,763</b>	<b>42,486</b>	<b>-58,249</b>
<b>Total Assets-Beginning</b>	<b>803,618</b>	<b>761,132</b>	<b>42,486</b>
<b>Total Assets-Ending</b>	<b>787,855</b>	<b>803,618</b>	<b>-15,763</b>

The total decrease in revenue is approximately 11% and is mainly due to a decrease in capital grants. The total increase in operating expenses is only 11% with significant increases in audit, administrative employee benefits, electricity, maintenance materials, maintenance contract costs and maintenance employee benefits. The expenses with the largest decreases were compensated absences and tenant services.



### Statement of Capital Assets

Land and Improvements	248,167
Buildings and Improvements	1,516,600
Equipment	79,779
Construction in Progress	44,851
Total Fixed Assets	1,889,397
Less: Accumulated Depreciation	1,255,692
Net Fixed Assets/Invested in Capital Assets	633,705

There were increases in buildings, site improvements, equipment and construction in progress in the amount of \$79,294 for the fiscal year ended March 31, 2005. The current year depreciation expense was \$72,033. The net effect is an increase in net fixed assets of \$7,261.

The Housing Commission's financial success is dependent on operating and capital grants received from the US Dept of HUD. Without them, the Rockwood Housing Commission could not survive. There are various local economic factors that could affect the Commission's profit or loss, such as local employment opportunities, supply and demand for local jobs and inflationary adjustments to utilities and other local suppliers.

In spite of decreasing capital grants and possible decreases in operating grants, the Housing Commission will continue to do the best job they can in providing safe, sanitary and decent housing for their residents.

### Contacting The Commission's Financial Management

This report was written to provide readers with a general overview of the Commission's finances and the manner in which it spends the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Janet D. Dallwig, at 32409 Fort Street Rockwood, MI 48173. The phone number is (734) 379-9700.

ROCKWOOD HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2005

ASSETS

C-3026

CURRENT ASSETS

Cash	\$	66,623	
Accounts Receivable- Tenants (Net of Allowance of \$ 0)		34	
Accounts Receivable- HUD		3,651	
Accrued Interest Receivable		296	
Investments		117,030	
Prepaid Expenses		<u>3,070</u>	
Total Current Assets	\$		190,704

NON CURRENT ASSETS

Land	\$	36,763	
Buildings		1,516,600	
Furniture, Equipment- Dwellings		30,628	
Furniture, Equipment- Administrative		49,151	
Leasehold Improvements		256,255	
Accumulated Depreciation		<u>(1,255,692)</u>	
Total Non Current Assets			<u>633,705</u>

<u>TOTAL ASSETS</u>	\$	<u>824,409</u>
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ROCKWOOD HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2005

LIABILITIES

C-3026

**LIABILITIES:**

CURRENT LIABILITIES

Accounts Payable	\$ 11,228
Accrued Wages & Payroll Taxes	1,314
Accounts Payable-Other Governments	9,693
Tenants Security Deposit	13,348
Deferred Revenue	<u>107</u>
 <u>Total Current Liabilities</u>	 \$ 35,690

NON CURRENT LIABILITIES

Accrued Compensated Absences	<u>864</u>
 <u>Total Liabilities</u>	 \$ <u>36,946</u>

**NET ASSETS:**

Contributed Capital	\$ 633,705
Retained Earnings	<u>154,150</u>
 <u>Total Net Assets</u>	 \$ <u>787,855</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

ROCKWOOD HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended March 31, 2005

OPERATING REVENUES

Tenant Rental Revenue	\$ 151,856
Tenant Revenue-Other	2,968
HUD Grants	105,498
Interest Income	3,448
Other Income	<u>1,302</u>

<u>Total Operating Revenues</u>	\$	265,072
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OPERATING EXPENSES

Administrative	\$ 63,308
Tenant Services	741
Utility Expenses	46,373
Ordinary Maintenance	72,495
General Expenses	<u>22,002</u>

<u>Total Operating Expenses</u>	<u></u>	204,919
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<u>Operating Income (Loss)</u>	\$	60,153
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NONOPERATING REVENUES (EXPENSES)

Extra Ordinary Maintenance	\$ (3,883)
Depreciation Expense	<u>(72,033)</u>

<u>Total Non Operating Revenues (Expenses)</u>	<u></u>	(75,916)
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Change in Net Assets	\$	(15,763)
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Total Net Assets- Beginning	<u></u>	803,618
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Total Net Assets- Ending	\$	<u>787,855</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements

ROCKWOOD HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 155,119
Payments to Suppliers	(142,919)
Payments to Employees	(69,237)
HUD Grants	105,498
Other Receipts (Payments)	<u>4,750</u>
Net Cash Provided (Used) by Operating Activities	\$ 53,211

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(79,294)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (26,083)
Balance- Beginning of Year	<u>92,706</u>
Balance- End of Year	\$ <u>66,623</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (15,763)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	72,033
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(2,731)
Investments	(2,687)
Prepaid Expenses	258
Changes in Liabilities Increase (Decrease):	
Accounts Payable	2,408
Accrued Liabilities	(66)
Accrued Compensated Absences	186
Security Deposits	(61)
Accounts Payable- Other Governments	(311)
Deferred Revenue	<u>(55)</u>
Net Cash Provided by Operating Activities	\$ <u>53,211</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROCKWOOD HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Rockwood Housing Commission, Rockwood, Michigan, (Commission) was created by ordinance of the city of Rockwood. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 81-1	Low rent program	51 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exit.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided no conflicts exist with the Governmental Accounting Standards Board (GASB) pronouncements.

Notes to Financial Statements- continued

**Budgetary data-**

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

**Assets, Liabilities, and Net Assets-**

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Financial Data Schedule.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years



Notes to Financial Statements- continued

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 66,573
Petty Cash	<u>50</u>
Financial Statement Total	<u>\$ 66,623</u>

Investments:

Certificates of Deposit	<u>\$ 117,030</u>
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Generally the Department classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Department's name.
- 2) Uninsured or unregistered, held by a broker in the Department's name.
- 3) Uninsured or unregistered, held by a broker not in the Department's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 66,573	\$	\$	\$ 66,573	\$ 66,573
Petty Cast	<u>50</u>			<u>50</u>	<u>50</u>
Total Cash	<u>\$ 66,623</u>	<u>\$</u>	<u>\$</u>	<u>\$ 66,623</u>	<u>\$ 66,623</u>
Investments:					
C/D's	<u>\$ 117,030</u>	<u>\$</u>	<u>\$</u>	<u>\$ 117,030</u>	<u>\$ 117,030</u>

In addition to the above analysis, the Department has adopted an investment policy as required by P.A. 20 of 1943, as amended by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Footnotes to Financial Statements- continued

Note 3: Prepaid Expenses.

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 1,862
Miscellaneous	<u>1,208</u>
	<u>\$ 3,070</u>

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 36,763	\$	\$	\$ 36,763
Buildings	1,495,987	20,613		1,516,600
Furniture & Equipment-Dwellings	30,628			30,628
Furniture & Equipment-Admin	38,328	10,823		49,151
Leasehold Improvements	<u>208,397</u>	<u>47,858</u>		<u>256,255</u>
	\$ 1,810,103	\$ 79,294	\$	\$ 1,889,397
Less Accumulated Depreciation	<u>1,183,659</u>	<u>72,033</u>		<u>1,255,692</u>
	<u>\$ 626,444</u>	<u>\$ 7,261</u>	<u>\$</u>	<u>\$ 633,705</u>

Note 5: Other Post Employment Benefits.

The Commission provides a nonqualified Section 457 plan available only to employees of State and Local governments. Distributions cannot be made before the calendar year in which (1) the plan participant attains age 70 1/2, or (2) the plan participant separates from the service of the employer, except in the case of a hardship distribution. Required minimum distributions generally must be made in the same manner as for qualified plans.

The following disclosures are required by Governmental Accounting Standards Board (GASB) statement 32.

Beginning Plan Assets	\$ 78,305
Contributions	2,275
Investment Income net of service fees	<u>914</u>
Ending Plan Assets	<u>\$ 81,494</u>

Notes to Financial Statements- continued

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Department is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Department purchases commercial insurance to cover the risks of these losses. The Department had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 3,703,881
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Policy	10,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

## Rockwood Housing Commission

31-Mar-05

MI-081

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>ASSETS:</b>			
	<b>CURRENT ASSETS:</b>			
	Cash:			
111	Cash - unrestricted	66,623	-	66,623
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restricted			-
114	Cash - tenant security deposit	-	-	-
100	Total cash	66,623	-	66,623
	Accounts and notes receivables			
121	Accounts receivable - PHA project	3,259	392	3,651
122	Accounts receivable - HUD other project			-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling rent	34		34
126.1	Allowance for doubtful accounts - dwelling rent	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable	296		296
120	Total receivables, net of allowances for doubtful account	3,589	392	3,981
	Current investments			-
131	Investments - unrestricted	117,030		117,030
132	Investments - restricted			-
142	Prepaid expenses and other asset	3,070	-	3,070
143	Inventories	-	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	392	-	392
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	190,704	392	191,096
	<b>NONCURRENT ASSETS:</b>			
	Fixed assets:			
161	Land	36,763	-	36,763
162	Buildings	1,449,408	67,192	1,516,600
163	Furniture, equipment & machinery - dwelling	30,628	-	30,628
164	Furniture, equipment & machinery - administratio	49,151	-	49,151
165	Leasehold improvement	208,404	47,851	256,255
166	Accumulated depreciatio	(1,248,024)	(7,668)	(1,255,692)
160	Total fixed assets, net of accumulated depreciatio	526,330	107,375	633,705
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint venture			-
180	TOTAL NONCURRENT ASSETS	526,330	107,375	633,705
190	<b>TOTAL ASSETS</b>	717,034	107,767	824,801

	<b>LIABILITIES AND EQUITY:</b>			
	<b>LIABILITIES:</b>			
	<b>CURRENT LIABILITIES</b>			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	11,228	-	11,228
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	1,314	-	1,314
322	Accrued compensated absence	-	-	-
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	9,693	-	9,693
341	Tenant security deposits	13,348	-	13,348
342	Deferred revenues	107	-	107
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities			-
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	392	392
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>35,690</b>	<b>392</b>	<b>36,082</b>
	<b>NONCURRENT LIABILITIES:</b>			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing	-	-	-
353	Noncurrent liabilities- other	864		864
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>864</b>	<b>-</b>	<b>864</b>
300	<b>TOTAL LIABILITIES</b>	<b>36,554</b>	<b>392</b>	<b>36,946</b>
	<b>EQUITY:</b>			
501	Investment in general fixed asset			-
	<b>Contributed Capital:</b>			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	526,330	107,375	633,705
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	154,150		154,150
513	<b>TOTAL EQUITY</b>	<b>680,480</b>	<b>107,375</b>	<b>787,855</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>717,034</b>	<b>107,767</b>	<b>824,801</b>

**Proof of concept**

- - -

## Rockwood Housing Commission

31-Mar-05

MI-081

## Combining Income Statement

Low Rent 14.850

Capital Projects  
Funds 14.872

TOTAL

Line Item #				
	<b>REVENUE:</b>			
703	Net tenant rental revenue	151,856		151,856
704	Tenant revenue - other	2,968	-	2,968
705	Total tenant revenue	154,824	-	154,824
706	HUD PHA grants	44,194	61,304	105,498
708	Other government grants			-
711	Investment income - unrestricted	3,448	-	3,448
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	1,302		1,302
716	Gain or loss on the sale of fixed assets			-
720	Investment income - restricted			-
700	<b>TOTAL REVENUE</b>	203,768	61,304	265,072
	<b>EXPENSES:</b>			
	Administrative			
911	Administrative Salaries	38,829	-	38,829
912	Auditing Fees	1,800		1,800
913	Outside management fees			-
914	Compensated absences	186		186
915	Employee benefit contributions-administrative	9,994	-	9,994
916	Other operating administrative	12,379	120	12,499
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant services	-	-	-
924	Tenant services - other	741	-	741
	Utilities			
931	Water	12,233	-	12,233
932	Electricity	31,653	-	31,653
933	Gas	2,487	-	2,487
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operations			
941	Ordinary maintenance and operations - labor	30,408	-	30,408
942	Ordinary maintenance and operations - materials & other	7,284	-	7,284
943	Ordinary maintenance and operations - contract costs	21,373	4,080	25,453
945	Employee benefit contributions- ordinary maintenance	9,350	-	9,350
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost:	-		-
953	Protective services - other:			-
955	Employee benefit contributions- protective service			-
	General expenses			
961	Insurance premium:	12,710	-	12,710
962	Other General Expenses		-	-
963	Payments in lieu of taxes	9,693		9,693
964	Bad debt - tenant rents	(401)	-	(401)
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	<b>TOTAL OPERATING EXPENSES</b>	<b>200,719</b>	<b>4,200</b>	<b>204,919</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>3,049</b>	<b>57,104</b>	<b>60,153</b>
971	Extraordinary maintenance	3,883		3,883
972	Casualty losses - non-capitalized			-
973	Housing assistance payments:			-
974	Depreciation expense	66,938	5,095	72,033
975	Fraud losses			-
976	Capital outlays- governmental fund:	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	<b>TOTAL EXPENSES</b>	<b>271,540</b>	<b>9,295</b>	<b>280,835</b>
	<b>OTHER FINANCING SOURCES (USES)</b>			
1001	Operating transfers in (out)	680	(680)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>680</b>	<b>(680)</b>	<b>-</b>
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<b>(67,092)</b>	<b>51,329</b>	<b>(15,763)</b>
<b>MEMO account information</b>				
1101	Capital contributions			
1102	Debt principal payments- enterprise fund:	-	-	-
1103	Beginning equity	-	-	-
1104	Prior period adjustments and equity transfers	-		-
1105	Changes in compensated absence liability balance (in the GLTDAG			-
1106	Changes in contingent liability balance (in the GLTDAG			-
1107	Changes in unrecognized pension transition liability (in the GLTDAG			-
1108	Changes in special term/severance benefits liability (in the GLTDAG			-
1109	Changes in allowance for doubtful accounts - dwelling rent:			
1110	Changes in allowance for doubtful accounts - other			-
1112	Depreciation "add back"	-		-
1113	Maximum annual contributions commitment (per ACC		-	
1114	Prorata maximum annual contributions applicable to : period of less than twelve months:			
1115	Contingency reserve, ACC program reserv		-	
1116	Total annual contributions available		-	
1120	Unit months available	-	-	-
1121	Number of unit months leased	-	-	-

Equity Roll Forward Test  
Calculation from R/E Statement  
B/S Line 513

(67,092) 51,329  
680,480 107,375  
(747,572) (56,046)

Sum of A:
Sum of B:
A/B



ROCKWOOD HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2005

The prior audit of the Rockwood Housing Commission for the period ended March 31, 2004, did not contain any audit findings



ROCKWOOD HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2005

I have audited the financial statements of Rockwood Housing Commission, Rockwood, Michigan, as of and for the year ended March 31, 2005, and have issued my report thereon dated November 3, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rockwood Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Rockwood Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 3, 2005

ROCKWOOD HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
March 31, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Fund Program		X

Opinions:

General Purpose Financial Statements-

Unqualified

Report on compliance & Internal Control-

Unqualified

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

2) Findings relating to the financial statements reported in accordance with  
Government Auditing Standards:

None

3) Findings and Questioned Costs relating to Federal Awards:

None